

The determination of Japanese financiers to make the adoption of the gold standard absolute led to the suspension of coinage of pieces of one yen in silver, the limitation of the legal tender quality of silver to ten yen, and the effort to force gold into general circulation. The new system would probably have been easier to maintain if a larger place had been left for silver in the circulation, as was done in British India and the Philippines, and if reliance had been placed to some extent upon exchange funds abroad instead of the segregation of gold at home. The high value of the gold coins made them ill-adapted to the smaller transactions of the country. They gradually found their way into the coffers of the Bank of Japan, when they were not exported, and were represented in the circulation by the paper notes of the banks.<sup>1</sup>

The prediction that trade with silver-using countries would decline by reason of the adoption of the gold standard did not find any confirmation in events. Silver prices had risen on the average about fifty per cent, between 1873 and 1894, rents at Tokio more than one hundred per cent., and wages about thirty-three per cent. The stereotyping of these conditions by the adoption of the exchange rate of the day did not check Japanese exports to England, which more than doubled from 1897 to 1902, while exports to the silver-using country of China increased in a somewhat greater ratio.<sup>2</sup> Economic activity was greatly stimulated by the change of standard, a closer relation was established with the money markets of the world, and foreign capital began to be attracted towards the country.<sup>3</sup>

<sup>1</sup> Dumolard declared in 1903 that during a sojourn of several years in Japan he had never had the good luck to receive a single piece of gold.—*Le Japon, Politique, feconomique et Social*, 105.

\* Pallain, 162-64. This writer declares that "during the period of the monetary depreciation (up to 1897) while the premium on exchange should, according to some, have acted as an increase in the customs tax and an encouragement to exportation, the increase in importations came chiefly from gold-standard countries, like England, while the exports of Japan to these same countries increased in a feeble degree."—*Les Changes étrangers et les Prix*, 166.

<sup>3</sup> *The Post-Bellum Financial Administration of Japan*, 197.